

Message Text

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TO AMEMBASSY KUWAIT PRIORITY

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E.O. 11652: NA

TAGS: BEXP: KU

SUBJECT: KUWAIT STEEL MILL

REF: KUWAIT 1536

SUMMARY: CONTACTED ARMCO STEEL, ARTHUR MCKEE, KAISER ENGINEERS, SWINDELL DRESSLER, USS ENGINEERS AND MESTA MACHINE IN REGARDS TO PROJECT AND HAVE PASSED CONTENTS OF REFTEL. WITH EXCEPTION OF MESTA, ALL COMPANIES STILL INTERESTED IN PROJECT AND THOSE THAT HAVE NOT CONTACTED KISC OR JOHN MILES WILL DO SO IMMEDIATELY. WE ARE CONCERNED ABOUT FRENCH GOVERNMENT INTEREST IN PROJECT AND BELIEVE IT ESSENTIAL THAT WE DEVELOP JOINT STRATEGY TO OFFSET THEIR ACTIVITIES.

1. ARMCO STEEL INDICATES THEY HAVE FORMED JOINT VENTURE WITH FOSTER WHEELER TO BID ALL FIVE PHASES OF PROJECT ON TURNKEY BASIS. THEY HAVE BEEN IN CLOSE CONTACT WITH JOHN MILES WHO ADVISED IT NOT NECESSARY FOR THEM TO PRE-LIMITED OFFICIAL USE

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QUALIFY. ARMCO/FOSTER WHEELER GROUP WILL CONTACT KISC'S

AL-JASSEM AND EXPRESS THEIR INTEREST IN PROJECT.

2. ARTHUR MCKEE CONFIRMED THEIR INTEREST IN PROJECT BUT INDICATED THEY MUST SEE TENDERS PRIOR TO MAKING FIRM COMMITMENT TO PURSUE MILL. PROBABLE THAT MCKEE WILL BID ALL PHASES OF PROJECT ON TURNKEY BASIS. COMPANY WILL REINFORCE THEIR CONTACTS WITH KISC AND JOHN MILES.

3. KAISER ENGINEERS POSITION IS UNCLEAR, WILL NOTIFY EMBASSY AS SOON AS WE RECEIVE DEFINITIVE ANSWER.

4. SWINDELL DRESSLER INTEREST CONFINED TO DIRECT REDUCTION PHASE OF PROJECT. AS EMBASSY PROBABLY AWARE, OSMAN HAS BEEN IN KUWAIT FOR FURTHER DISCUSSIONS WITH KISC.

5. AS EMBASSY AWARE, USS ENGINEERS SABA RETURNING TO KUWAIT FOR FURTHER DISCUSSIONS.

6. MESTA MACHINE HAS DECLINED TO BID ROLLING MILL.

7. WE ARE QUITE CONCERNED ABOUT FRENCH GOVERNMENT INTEREST IN PROJECT AS EXEMPLIFIED BY RECENT JOBERT VISIT WITH FRENCH STEEL COMPANIES. BELIEVE IT IMPORTANT TO DETERMINE STRENGTH OF FRENCH PROPOSAL TO OFFSET THEIR ACTIVITIES WITH STRONG USG SUPPORT FOR US COMPANIES. FOLLOWING INFORMATION RELATIVE TO FRENCH POSITION WOULD BE USEFUL IN DEVELOPING USG STRATEGY: A) COMPANIES INVOLVED, B) OFFERS OF FINANCING, CONSTRUCTION SCHEDULES, AND CONTRACT TERMS, AND C) FORM OF PROPOSAL, I.E., WILL IT BE TURNKEY FOR ALL PHASES PLUS OPERATING AND MANAGEMENT ASSISTANCE.

8. WILL STEEL MILL BE TENDERED ON SAME BASIS AS CEMENT PLANT REQUIRING LUMP SUM CONTRACT.

9. DAVID BAKER, DIRECTOR, OFFICE EXPORT DEVELOPMENT AND JOHN SANDS, DIRECTOR, MAJOR EXPORT PROJECTS DIVISION WILL BE IN MIDDLE EAST DURING LATE MAY OR EARLY JUNE. IF APPROPRIATE THEY WOULD LIKE TO MEET WITH AMBASSADOR AND ECON/COMM COUNSELOR TO ASSIST IN THE DEVELOPMENT OF LIMITED OFFICIAL USE

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THE USG STRATEGY ON THIS PROJECT. PLEASE CONFIRM. OUR APPRAISAL IS THAT A STRONG USG/INDUSTRY INITIATIVE WILL BE REQUIRED FOR US FIRMS TO PARTICIPATE IN THE CONSTRUCTION OF THE KISC FACILITY. RUSH

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